Confidencial Imobiliário

RICS®

October 2021 RICS/Ci Portuguese Housing Market Survey

Buyer demand continues to rise

- **Buyer enquiries indicator hits three-year high**
- **Sales and price continue to increase**
- **Rents rise for a third successive report**

Summary:

The October 2021 RICS/Ci PHMS results are consistent with another solid month for activity across the housing market. That said, the lack of new instructions becoming available remains an issue, with contributors reporting limited stock levels at present. In the lettings market, rents have now increased in each of the past three months, marking a noteworthy turnaround in relation to the softer trends being cited at the start of the year.

At the headline level, a net balance of +25% of respondents saw an increase in new buyer enquiries over the month. This is up from a reading of +18% last time and marks the strongest return for this indicator since May 2018. When disaggregated, the latest survey data points to demand rising at the sharpest rate across Lisbon (in net balance terms), while the pick-up was a little more modest in comparison across Porto and the Algarve.

Alongside this, the headline agreed sales indicator remained in positive territory for an eighth month in succession, with a net balance of +15% of contributors noting an increase in sales during October (easing slightly from +21% beforehand). Going forward, near term sales expectations still signal a positive trend ahead, although this series has moderated from a recent high of +32% in August to +19% this time out.

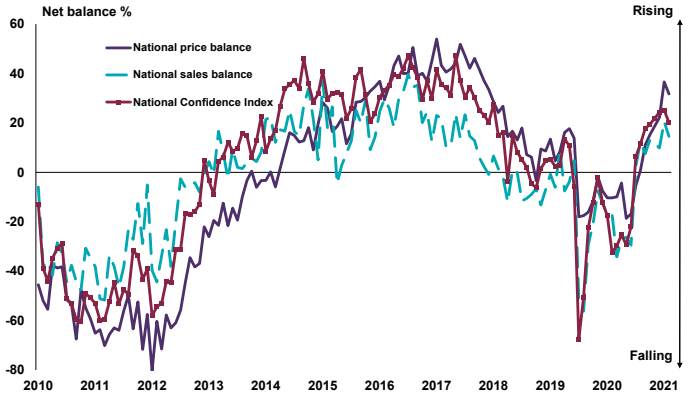
Meanwhile, new instructions have shown no sign of improvement over recent months, with the latest net balance coming in at -20% (identical to the reading posted in September). As such, the limited stock available on the market is a significant factor in underpinning house price growth currently. Indeed, at the aggregate level, a net balance of +32% of respondents reported an increase in house prices over the latest survey period. Looking ahead, a net balance of +57% of survey participants expect house prices to rise further over the coming twelve months (the strongest reading for this indicator since August 2018).

In the lettings market, tenant demand continued to rise in October, evidenced by a net balance of +19% of contributors citing an increase. At the same time, the flow of new landlord instructions deteriorated, with the net balance coming in at -16%. Consequently, rents were driven higher for a third consecutive month (net balance +21%).

Ricardo Guimarães, Director of Ci: "The common factor mentioned by the agents responding to the survey is the lack of inventory. This is highlighted both in general terms but, especially, when it comes to housing with prices compatible with domestic demand. Some agents point to the political and inflation contexts as the new risks emerging in the market, but the general consensus is that demand is strong and pressing prices up. Secondary locations see the changes in the golden visa regime as an opportunity, improving their demand profile. Meanwhile, many mention the better pandemic situation in Portugal as having a positive impact on international demand in our country."

RICS Senior Economist, Tarrant Parsons: "Despite recent political developments presenting a downside risk, sentiment remains solid across the housing market for the time being. Perhaps supporting this, Q3 GDP data surpassed expectations, with the Portuguese economy expanding by 2.9% over the quarter. Even though the political situation may weigh on investor confidence, the economy is still anticipated to sustain above-average GDP growth in Q4.This near-term backdrop should limit any slowdown in momentum across the housing market.

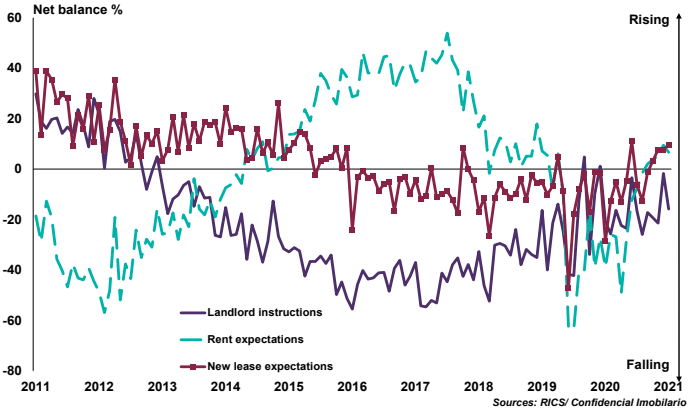
Chart 1: Sales market indicators



*Confidence index is an average of the sales and price expectations net balances

Sources: RICS/ Confidencial Imobiliario

Chart 2: Lettings market indicators



Sources: RICS/ Confidencial Imobiliario

The RICS/Ci Portuguese Housing Market Survey (PHMS) provides a qualitative monthly assessment of the sales and lettings sectors based on around 100 regular responses. The PHMS contains a regional breakdown covering Lisbon, Porto and the Algarve.

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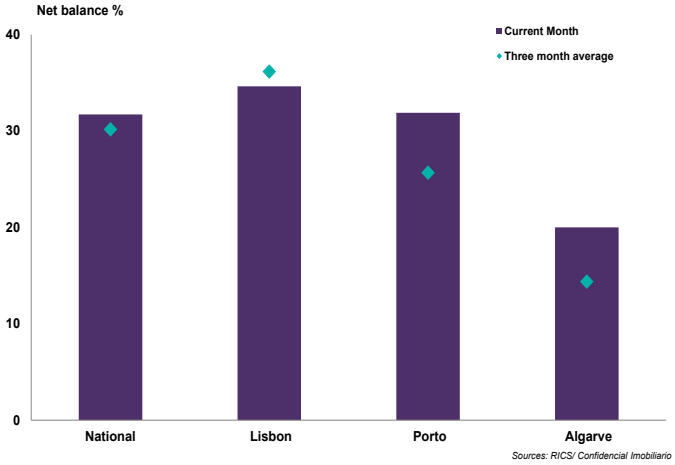
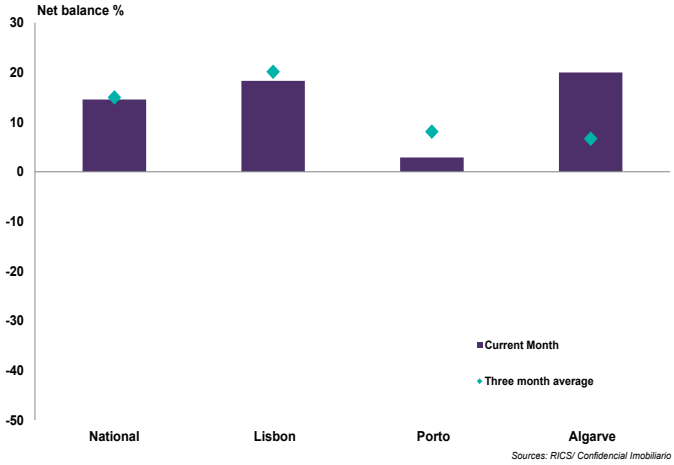
Sales Market Charts

Prices (last three months) by Region



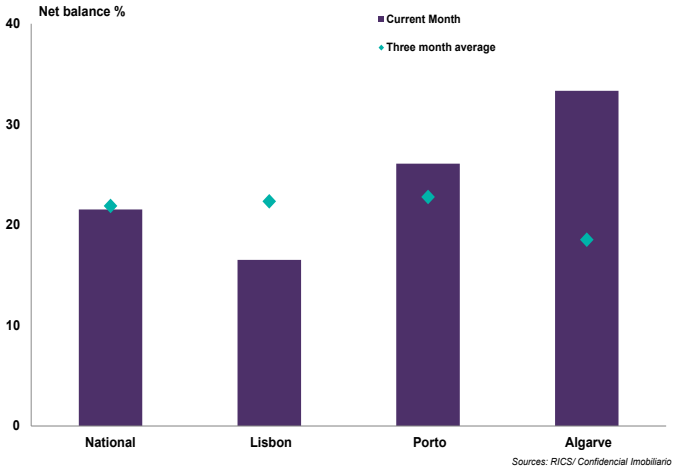
Sources: RICS/ Confidencial Imobiliario

Promised Sales (past month) by Region



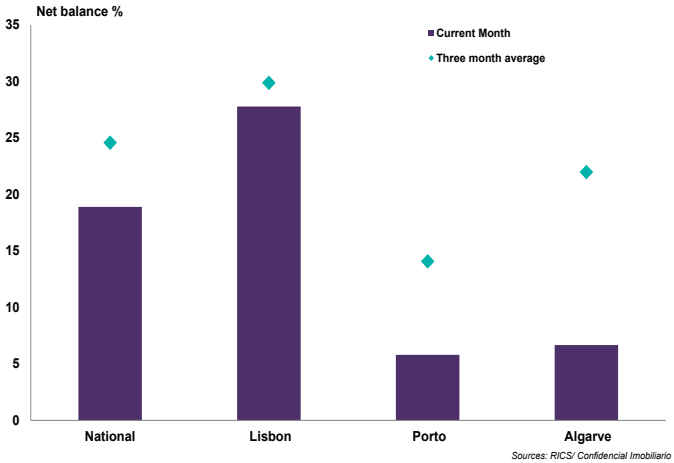
Sources: RICS/ Confidencial Imobiliario

Price Expectations (next three months) by Region



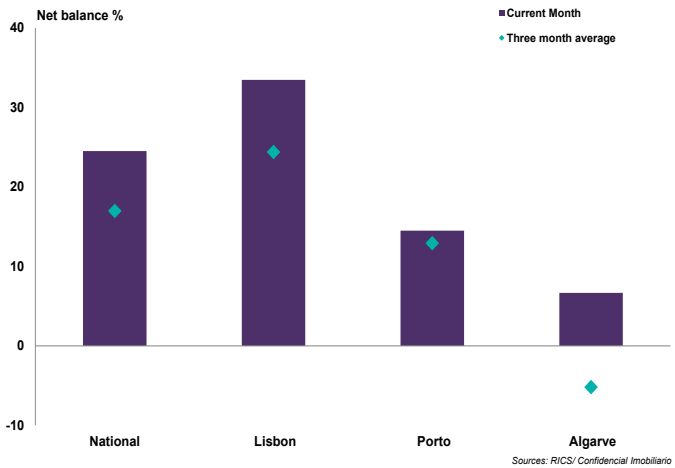
Sources: RICS/ Confidencial Imobiliario

Sales Expectations (next three months) by Region



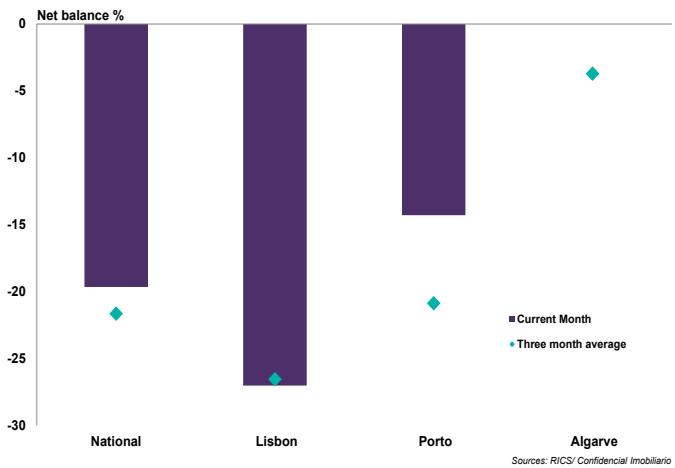
Sources: RICS/ Confidencial Imobiliario

New Buyer Enquiries (past month) by Region



Sources: RICS/ Confidencial Imobiliario

New Instructions to Sell (past month) by Region



Sources: RICS/ Confidencial Imobiliario

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About RICS

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About Ci

Ci - Confidencial Imobiliário is an independent company dedicated to supplying real estate market professionals with the statistical information required for their investment and strategic decision making. Ci specializes in producing market intelligence indicators, indices and exclusive databases on the housing market, covering both supply and transactions, typically in high geographical detail. One of its main products is the Index Ci, which is the most referred to house price index in Portugal. Given its credibility and independence, the Index Ci is used by entities like the European Central Bank, the Bank of Portugal and the Portuguese Government.

Survey sponsors

Both RICS and Ci are grateful to BPI, IMPIC and Millennium bcp for supporting the survey.

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Notes to editors

About:

- The RICS/Ci Portuguese Housing Market Survey is a monthly sentiment survey of estate agents and developers who operate in the Portuguese residential sales market.

Regions:

- Three regions make up the national (headline) readings: Lisbon Metropolitan Area, Oporto Metropolitan Area and the Algarve. The data is regionally weighted and operator (agent/developer) weighted.

Questions asked:

1. How have house prices have changed over the **last three months**? – Net balance
2. Over the **last month** how did the number of 'promised' sales change? – Net balance
3. Over the **last month** how have the number of new enquiries changed? – Net balance
4. Over the last month how has the number of new instructions changed? – Net balance
5. Over the **next three months** how do you expect house price levels to change? – Net balance
6. Over the **next three months** how do you expect the number of agreed sales to change? – Net balance
7. Over the **next twelve months** how do you expect house price levels to change – Point estimate
8. Over the **next five years** how do you expect house price levels to change (average per year) – Point estimate
9. Over the **last month** how has tenant demand for rented accommodation changed? – Net balance
10. Over the **last month** how have new instructions to let rented accommodation changed? – Net balance
11. Over the **last month** how have residential rents changed? Net balance
12. Over the **next three months** how do you expect residential rents to change? – Net balance
13. Over the **next three months** how do you expect residential rental transactions to change? – Net balance

Net balance data:

- **Net balance = Proportion of surveyors reporting a rise in prices minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%).**
- Net balance data is opinion based; it does not quantify actual changes in an underlying variable.
- Net balance data can range from -100 to +100.
- A positive net balance implies that more respondents are seeing increases than decreases (in the underlying variable), a negative net balance implies that more respondents are seeing decreases than increases and a zero net balance implies an equal number of respondents are seeing increases and decreases.
- Therefore, a -100 reading implies that no respondents are seeing increases (or no change), and a +100 reading implies that no respondents are seeing decreases (or no change).
- In the case of the RICS/Ci price balance, a reading of +10 should not be interpreted as RICS/Ci are saying that house prices are going up by 10%, but that 10% more surveyors reported increases rather than decreases in prices (over the last three months).
- A change from +30 to +60 does not mean that the variable grew by 30% in one period and by 60% in the next period, but it does indicate that twice as many surveyors reported an increase compared to a decrease than in the previous period.
- Likewise, if we get a reading dropping from +90 to +5, this still means that more respondents are reporting increases than decreases overall, but the breadth of those reporting increases has fallen dramatically; meanwhile, a shift in the reading from -90 to -5 still means that more respondents are reporting decreases than increases overall, but the breadth of those reporting decreases has fallen dramatically.

Seasonal adjustments:

- The RICS/Ci Portuguese Housing Market Survey data is not seasonally adjusted.

RICS/ Ci Confidence Index:

- The RICS/ Ci Confidence Index is an average of the Sales Expectations net balance and Price Expectations net balance.
- This is intended as a summary measure of confidence overall.

Third party distributors:

- The RICS/ Ci PHMS national data set is available to users of Macrobond.

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